



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Voluntary Report - public distribution

Date: 8/18/2006

GAIN Report Number: PL6056

Poland

Product Brief

Distilled Spirits

2006

Approved by:

Charles Rush
U S Embassy

Prepared by:

Jolanta Figurska, Carl Norden

Report Highlights:

Vodka dominates the distilled spirits market, with whisky and rum gaining market share. On average, imports of distilled spirits rose 15 percent in 2005. When Poland became a member of the European Union in May 2004 tariff rates on alcoholic beverage imports were reduced significantly increasing market access for U.S. Spirits.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Warsaw [PL1]
[PL]

Executive Summary

Distilled spirits represent a small percentage of the alcohol consumed in Poland, due to the recent increases in beer and wine consumption. Vodka dominates the distilled spirits market as the number one choice among Polish alcohol consumers according to Rynki Alkoholowe, a Polish periodical dedicated to the alcohol industry in Poland. Whiskey has been growing in popularity and imports of U.S. whiskey have been growing rapidly. According to AC Nielsen, the U.S. share of the whisky consumed in Poland is around 5.9 percent in volume terms and is growing at a rate of 6 percent annually. When Poland became a member of the European Union in May 2004 tariff rates on alcoholic beverage imports were reduced which significantly increased market access.

Alcohol sales in 2006 are estimated to have an increase of 8.9 percent over 2005. The most dynamic increase has been in the beer market but the market for distilled spirits has been growing steadily.

Advantages	Challenges
The tariff rates imposed on all alcoholic beverages have decreased dramatically due to Poland's May 2004 accession to the EU.	Poland domestically produces many distilled spirits.
Overall sales increases over the last three years have been over 15% annually.	Consumers are purchasing more beer and wine, rather than spirits.
Vodka has been traditionally a drink of choice among Poles. However, whisky and bourbon sales are increasing as it is becoming trendy.	Low salaries make the Polish alcohol market very price sensitive.

Market Sector Opportunities and Threats

Retail & HRI Market Sector

1) Entry Strategy

Contacting the right importer will help businesses enter the Polish distilled spirits market. Most supermarkets, hypermarkets, specialty shops, hotels, restaurants, and catering companies purchase their distilled spirits through importers or wholesalers who maintain their own distribution channels and marketing contacts. U.S. exporters of distilled spirits may obtain a list of current importers by contacting the Office of Agricultural Affairs of the U.S. Embassy in Warsaw (see Section V).

2) Market Size, Structure, Trends

The distilled spirits market is very competitive. A wide range of spirits can be purchased on the market from all over the world ranging widely in price.

Alcoholic beverage consumption in Poland is directly related to disposable income available. In years when economic growth is experienced there appears to be an increase in alcoholic

beverage consumption. When growth slows, consumption tends to slump as indicated in the following charts.

Polish Per Capita Alcoholic Beverage Consumption

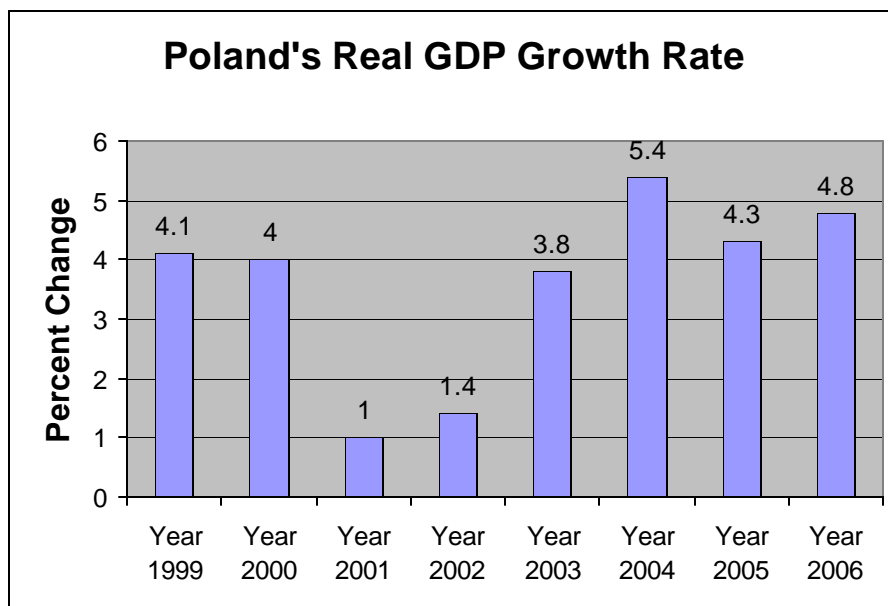
Product	Unit of Measure	1980	1990	1999	2000	2001	2002	2003	2004
Vodkas, liquors and other alcoholic beverages**	Liters of 100% pure alcohol	6.0	3.8	2.1	2.0	1.7	1.7	2.4	2.5
Wines and drinking honey	Liters	10.1	7.4	13.6	11.9	10.5	11.2	11.3	10.6
Beer made on the base of malt***	Liters	30.4	30.4	60.1	66.2	65.8	70.7	74.6	82.0

Source: Polish Statistical Office

Please note that official statistics differ from industry data by as much as 5%

** Data is available for local production only.

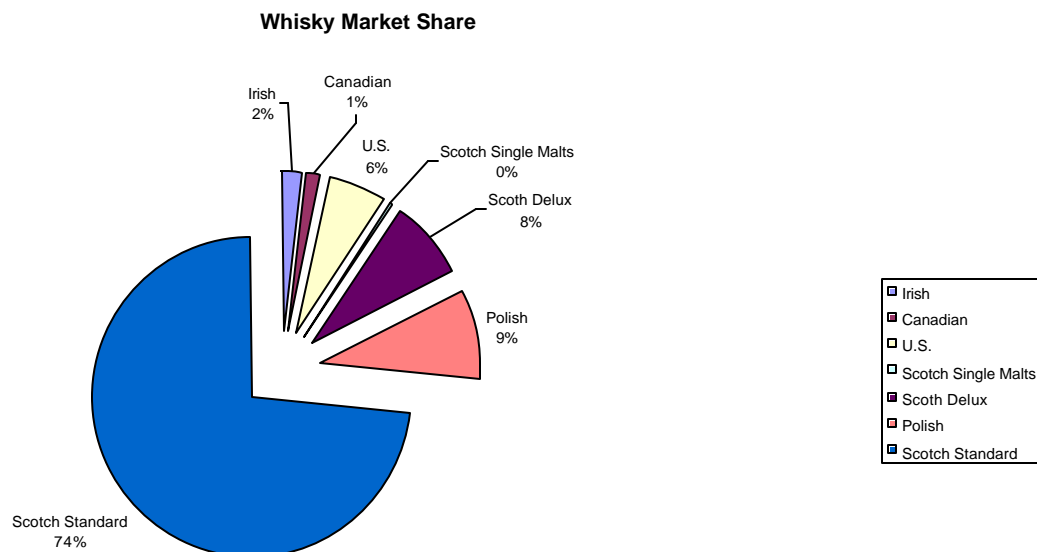
*** Since 2000 only product containing above 0.5% of alcohol are listed in this category.



Source: Citibank and Polish Market Review

Most large importers distribute products through their own wholesale operations located throughout Poland. Besides utilizing their own distribution channels, importers also sell their products to independent wholesale firms, which in turn distribute distilled spirits to hypermarkets, specialty shops, as well as small retail stores located in larger cities.

The reported sales of whisky from 2003 to 2005 have increased by 79% in volume terms, and 36% in value terms. These large increases reveal that Poles are consuming more whisky, but they are choosing cheaper brands/varieties. The graph below shows a breakout of the Polish whisky market:



Advertising distilled spirits in the Polish market can be difficult. The government prohibits advertising alcoholic beverages (except for beer) to prevent an increase in alcohol consumption. The exception is professional press available only through subscriptions. In some cases producers are allowed to add "give aways" and include "bottles neck" information on product "competitions" to increase sales of the product. Advertising (e.g. promotion conducted by a hostess, which does not include tasting) is also possible in enclosed "alcohol only" sections of hypermarkets. RYNKI ALKOHOLOWE conducted a survey in late 2005 to reveal the most effective promotion strategy for legally promoting distilled spirits in Poland. It found that free gifts were the most preferred way of promotion followed by larger bottles for the same price, a lower price for the same bottle, a second bottle for a reduced price, loyalty programs, and hostess presentations.

Poland's Distilled Spirits Imports

Bourbon, 22083011

Year Ending: December							
Partner Country	Unit	2003		2004		2005	
		USD	Quantity	USD	Quantity	USD	Quantity
World	LPA*	260889	19970	457637	30906	656766	86407
United States	LPA	260889	19970	313395	21214	440095	29865
United Kingdom	LPA	0	0	0	0	85811	45398
Germany	LPA	0	0	102988	6098	83111	7471
Sweden	LPA	0	0	2513	94	26270	795
Belgium	LPA	0	0	5881	672	10486	1172
Czech Republic	LPA	0	0	0	0	4035	281
Spain	LPA	0	0	0	0	2971	882
Netherlands	LPA	0	0	0	0	2530	99
France	LPA	0	0	32848	2827	1432	443

*LPA=Liters of Pure Alcohol

Malt Scotch Whiskey, 22083032

Year Ending: December 2005							
Partner Country	Unit	2003		2004		2005	
		USD	Quantity	USD	Quantity	USD	Quantity
World	LPA	263003	9183	774301	20668	1184264	81207
United Kingdom	LPA	232104	7684	520806	14089	845004	51142
Sweden	LPA	0	0	156487	3752	156688	2266
Netherlands	LPA	18628	865	28415	580	86046	16877
Germany	LPA	0	0	41365	1241	78135	9800
France	LPA	12271	634	15061	640	16468	1070
Not Determin Extra EU Trade	LPA	0	0	11280	347	1858	52
Denmark	LPA	0	0	886	19	65	0

Blended Scotch Whiskey, 22083052

Year Ending: December 2005							
Partner Country	Unit	2003		2004		2005	
		USD	Quantity	USD	Quantity	USD	Quantity
World	LPA	5998764	660197	8659939	806308	14339644	1403285
United Kingdom	LPA	5953163	653801	5446055	435942	11282764	733923
Czech Republic	LPA	0	0	1589510	266986	2010484	290991
Sweden	LPA	0	0	90388	4095	422033	34269
France	LPA	13524	2440	88879	12268	195622	314328
Germany	LPA	0	0	208228	14426	149536	8991
Greece	LPA	0	0	0	0	89645	1814
Netherlands	LPA	0	0	282757	14728	75327	9314
Italy	LPA	956	76	24416	1365	49249	2022
Not Determin Extra EU Trade	LPA	0	0	904107	54182	32940	1265
Canada	LPA	0	0	0	0	23011	2857
Spain	LPA	0	0	238	34	7226	3464
United States	LPA	0	0	1010	23	1805	47

Rum and Tafia, 220840

Year Ending: December 2005							
Partner Country	Unit	2003		2004		2005	
		USD	Quantity	USD	Quantity	USD	Quantity
World	LPA	419830	68420	736847	159433	1224325	223271
Germany	LPA	160	1	380651	51913	774082	102046
Netherlands	LPA	34781	22661	161611	90815	166214	95291
France	LPA	4988	1837	66911	4805	143851	15546
Italy	LPA	268	11	38702	2033	67968	2298
United Kingdom	LPA	3543	271	9277	676	22806	1395
Sweden	LPA	33	1	7212	412	16916	854
Austria	LPA	0	0	7185	793	14760	1849
Spain	LPA	674	107	6909	1060	9423	2649
Denmark	LPA	101	8	7124	388	4311	513
Belgium	LPA	0	0	0	0	3781	798
Bahamas	LPA	280755	32181	40428	5775	116	14
United States	LPA	25	0	0	0	0	0

Gin and Gin Geneva, 220850

Year Ending: December 2005							
Partner Country	Unit	2003		2004		2005	
		USD	Quantity	USD	Quantity	USD	Quantity
World	LPA	358239	222583	489012	107562	696229	113899
United Kingdom	LPA	194888	27939	89024	9105	237198	23164
Germany	LPA	0	0	95932	17988	209184	65441
Italy	LPA	0	0	41541	3985	94964	6222
United States	LPA	153399	192649	110948	60182	55845	721
Sweden	LPA	11	0	5431	481	39274	2927
Czech Republic	LPA	0	0	24468	5543	35409	6392
France	LPA	4818	1248	30251	2417	16610	6610
Spain	LPA	4229	719	1531	265	3808	1998

Liquors and Cordials, 220870

Year Ending: December 2005							
Partner Country	Unit	2003		2004		2005	
		USD	Quantity	USD	Quantity	USD	Quantity
World	LPA	1812610	96707	2910128	169689	8005449	341441
United Kingdom	LPA	26427	1320	120181	2972	2165130	40695
Czech Republic	LPA	0	0	553076	33211	1881750	64581
Italy	LPA	474195	24430	680926	50219	1126008	61136
Germany	LPA	162296	14798	431580	36209	886126	65879
Netherlands	LPA	393668	28169	354806	19910	770820	52734
France	LPA	78618	5622	124756	7296	340888	16412
Ireland	LPA	610509	16208	532443	12948	274437	6252
Spain	LPA	0	0	612	35	214233	15949
Sweden	LPA	0	0	26190	664	140086	2445
South Africa	LPA	9543	336	17155	597	66716	1734
Belgium	LPA	22168	2124	24731	2109	43078	4138
Chile	LPA	0	0	0	0	36852	2058
Lithuania	LPA	0	0	1434	221	30920	5277
Russia	LPA	0	0	455	34	16410	1330
United States	LPA	23924	2825	11498	875	232	6

Vodka, 220860

Year Ending: December 2005							
Partner Country	Unit	2003		2004		2005	
		USD	Quantity	USD	Quantity	USD	Quantity
World	LPA	2568057	715995	9290304	1976806	23064906	3436142
Finland	LPA	1859536	549127	3909939	744513	12246323	2384112
Sweden	LPA	561633	141307	3802865	1003141	8923866	725419
Ukraine	LPA	2369	660	86581	16858	352582	62658
Germany	LPA	2486	500	198017	32799	343966	111338
Lithuania	LPA	0	0	21690	4501	272274	67693
United Kingdom	LPA	51095	5393	35562	4751	265805	12316
Denmark	LPA	28167	2865	95055	8947	180293	14941
Russia	LPA	0	0	10541	1057	168528	13803
France	LPA	54655	14075	572105	109154	112309	22792
Latvia	LPA	0	0	43380	4537	63866	6390
Italy	LPA	0	0	2858	668	56082	6447
Austria	LPA	0	0	0	0	28382	2200
Kazakhstan	LPA	0	0	0	0	27206	3493
Czech Republic	LPA	98	0	7889	786	11048	1054
Netherlands	LPA	353	32	405831	36389	5148	960
China	LPA	0	0	0	0	3464	176
United States	LPA	6702	1868	2026	507	470	7

Source: Global Trade Atlas

The whiskey and bourbon market is primarily comprised of products from Scotland and the United States. Scottish whiskey comprises a slightly larger portion of the market share due to lower duties in the past as well as a long tradition of consumption of Scottish whiskey in

Poland; however, the increased availability of U.S. brands is indicative of the potential for growth in this market.

In the gin market, the U.S. faces fierce competition from the United Kingdom. Gin from the U.S. is bought more frequently due to the lower price for an equivalent or higher quality product; however, gin from the UK is readily available.

Polish distilled spirits consumption declined from 1993 when an excise tax on alcoholic beverages was introduced. Demand moved from traditionally consumed distilled spirits to other alcohols, mainly beer. According to industry experts, consumption of hard liquors and wine in 2003 increased by as much as 30-40 percent per capita. This is a result of wine and hard liquors being seen as trendy and the lower import taxes levied once Poland joined the EU.

Whiskey is also becoming a popular drink in Poland. The most popular brands include: Johnnie Walker (Red and Black Label) and Ballentines. In 2003 the American brands most often purchased were Jack Daniel's (0.4 percent of sales in Poland), Jim Beam (0.1 percent of sales in Poland) and Medley's (0.1 percent of sales in Poland).

Costs and Prices

On March 1, 2004 Poland enacted a new excise tax law. For details please see section on Market Access.

Whiskey Variety	Price in \$	Quantity
Johnnie Walker Red Label	25.20	1L
Johnnie Walker Black Label	35.82	1L
Ballentines	24.84	1L
Jack Daniel's	29.56	70cl
Jim Beam	26.13	70cl
Medley's	25.96	70cl

*Source: FAS Warsaw market research

Distilled spirits are primarily purchased at hypermarkets or specialty shops for consumption at home. A small portion of distilled spirits is purchased at hotels, clubs, and restaurants; this number is expected to rise as the tourism industry grows.

Market Access

Importers of alcoholic beverages must purchase excise tax stickers from Polish authorities. These stickers are used as partial advance payment of the excise tax. Imported products must have excise tax stickers on them before entering Poland. Once the product enters the country the remainder of the tax must be paid.

The excise tax is calculated based on pure alcohol level content at a temperature of 20 ° C in the final product.

The Minister of Finance's working regulations on excise taxes on several products assesses the following tax:

HS 2204, 2205, 2206 - Wine and fermented drinks - PLN 136 (USD 40.72) per hectoliter
 HS 2207.10.00 - Ethyl alcohol for consumption purposes - PLN 4,400 (USD 1317.37)

HS 2208 - Vodka, liqueurs, other alcoholic beverages, 2103.90.30; 2106.90.20 alcohol preparations for drink production, based on ethyl alcohol - PLN 4,400 (USD 1317.37)
Other alcoholic beverages with no HS code indication, with an alcohol content above 1.2% vol. - PLN 4,400 (USD 1317.37).

(USD 1 = PLN 3.21, July 15, 2006)

Duty-free/custom bound warehouses can now be operated in Poland by facilities with a history (previous year) of revenue of PLN 700 million (USD 180 million). New duty free facilities may be established by obtaining required permits and providing estimates of planned revenue. The revenue of new facilities must be reported to customs authorities after three months of operation. If it does not meet the initial forecast level, the permits issued to such facilities can be invalidated.

Distilled Spirits Tariffs

HS Code	Product	Rate
2208 30	Whiskies:	
2208 30 11 2208 30 19	- Bourbon Whiskey	0%
	- Scotch Whiskey	
2208 30 32 2208 30 38	-- Malt Whiskey	0%
2208 30 52 2208 30 58	-- Blended Whiskey	0%
2208 40	Rum and tafia:	
	In containers holding 2 liters or less:	
2208 40 11	Rum with a content of volatile substances other than ethyl and methyl alcohol equal to or exceeding 225 grams per hectoliter of pure alcohol (with a 10% tolerance.)	0.6 EU/ %vol/hl + 3.2 EU/hl
	-- Other:	
2208 40 31	Of a value exceeding EU 7.9 per liter of pure alcohol.	0%
2208 40 39	Other	0.6 EU/ %vol/hl + 3.2 EU/hl
	In containers holding 2 liters or more:	
2208 40 51	Rum with a content of volatile substances other than ethyl and methyl alcohol equal to or exceeding 225 grams per hectoliter of pure alcohol (with a 10 % tolerance)	0.6 EU/ %vol/hl
	-- Other:	
2208 40 91	Of a value exceeding EU 2.0 per liter of pure alcohol.	0%
2208 40 99	--- Other:	0.6 EU/ % vol/hl
2208 50	Gin and Geneva	0%
2208 60	Vodka	0%

2208 70	Liqueurs and Cordials	0%
2208 90	Other	0%

* For additional information on EU duty rates please consult:

http://europa.eu.int/comm/taxation_customs/dds/en/tarhome.htm

Key Contacts and Further Information

Exporters of U.S. products can contact us at:

Embassy of the United States of America
Office of Agricultural Affairs, Warsaw, Poland
tel: 48 22 504 2336, fax: 48 22 504 2320
e-mail: agwarsaw@usda.gov or agwarsaw@poczta.onet.pl

United States Department of Agriculture, Foreign Agricultural Service,
AGX Marketing Division: Donald Washington,
e-mail: Donald.Washington@fas.usda.gov
tel: 202-720-1533
fax: 202-690-4879
Analysis: Dorsey Luchok,
e-mail: Dorsey.Luchok@fas.usda.gov
tel: 202-720-3083
fax: 202-690-4879

Additional information on the Polish market (e.g. Retail Sector) can be found on the Internet at (www.fas.usda.gov) at the *Attaché Reports* link.